Flows into and out of employment and unemployment

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Source: Labour Force, Australia, June 2020

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Across April, May and early June, Australia experienced unprecedented interventions in the labour market, which included restrictions to slow the spread of COVID-19 and government support packages to mitigate its impact on individuals, households and businesses.

A large number of people had their hours reduced or were stood down in April, as social distancing and other business restrictions came into effect. These conditions continued into May, with social distancing rules impacting work and job search activities, while changes to schooling arrangements may have reduced people's availability for work, or ability to look for work.

By June, some of the social distancing and business restrictions had started to be progressively relaxed or lifted, while JobSeeker mutual obligations also started to be reinstated on a limited basis.

The impacts of these recent changes are evident in key labour force estimates for June, with seasonally adjusted employment increasing by 210,800 people between May and June after falling by 874,700 between March and May. There was also a corresponding rise in the

employment-to-population ratio (up 1.0 pts to 59.2%) and a 4.0% increase in hours worked.

The seasonally adjusted underemployment rate decreased by 1.4 pts to 11.7%, reflecting a large reduction in the number of full-time workers who worked less than 35 hours for economic reasons between May and June (232,600, in original terms).

The seasonally adjusted participation rate also rose (up 1.3 pts to 64.0%). While most of this increase was attributable to the increase in employment, the unemployment rate also rose, by 0.4 pts to 7.4%, following the 1.0 point rise between April and May. The number of unemployed people increased by 69,300 to just under 1 million (992,300).

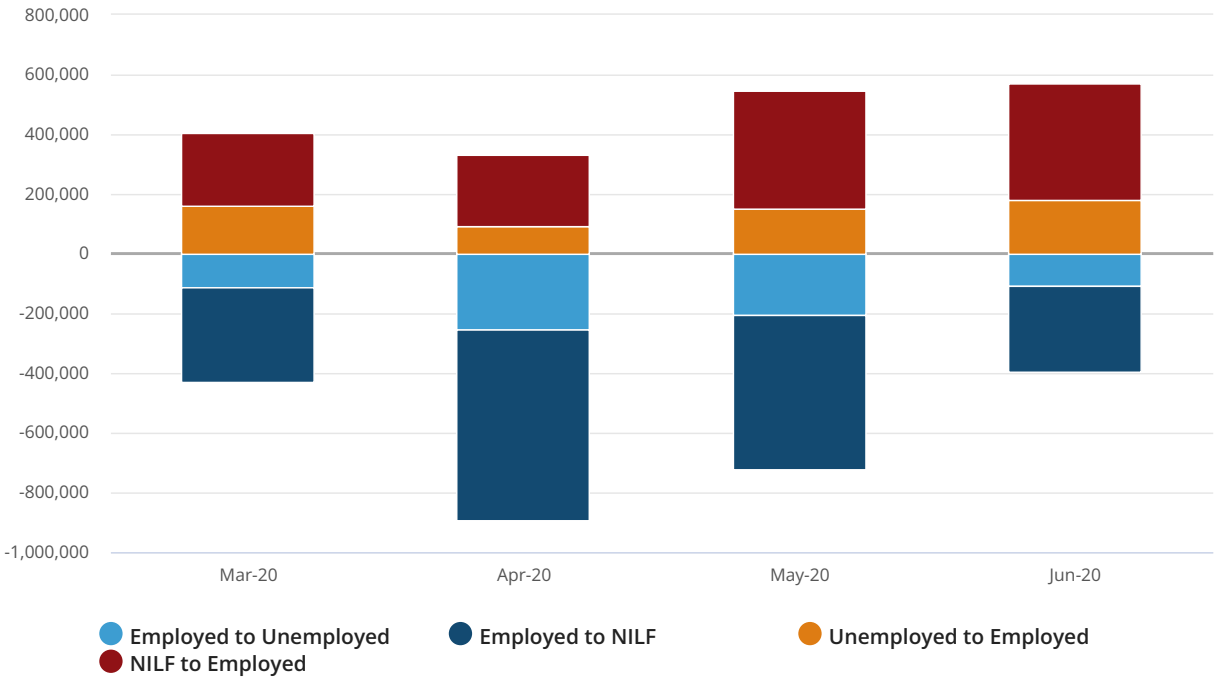
The increase in unemployment reflects a large movement from not in the labour force to unemployment between May and June, meaning the increase in unemployment is largely the result of people moving back into the labour force, rather than people losing their job. By contrast, the increase in unemployment in April largely reflected movements from employment into unemployment.

Employment

Chart 1 shows that the number of people who moved out of employment between May and June (almost 400,000, in original terms) was considerably smaller than the number of people who left employment in the previous two months (over 700,000 between April and May, and around 900,000 between March and April).

Almost 600,000 people moved into employment in June, leading to the net increase in the number of employed people of over 200,000. While there was a similar flow into employment in May, there was an even larger outflow, resulting in the net drop in employment in May. See the Appendix for a description of the method used to produce the 'flow' estimates presented in this article.

Chart 1: Flows into and out of employment, Original

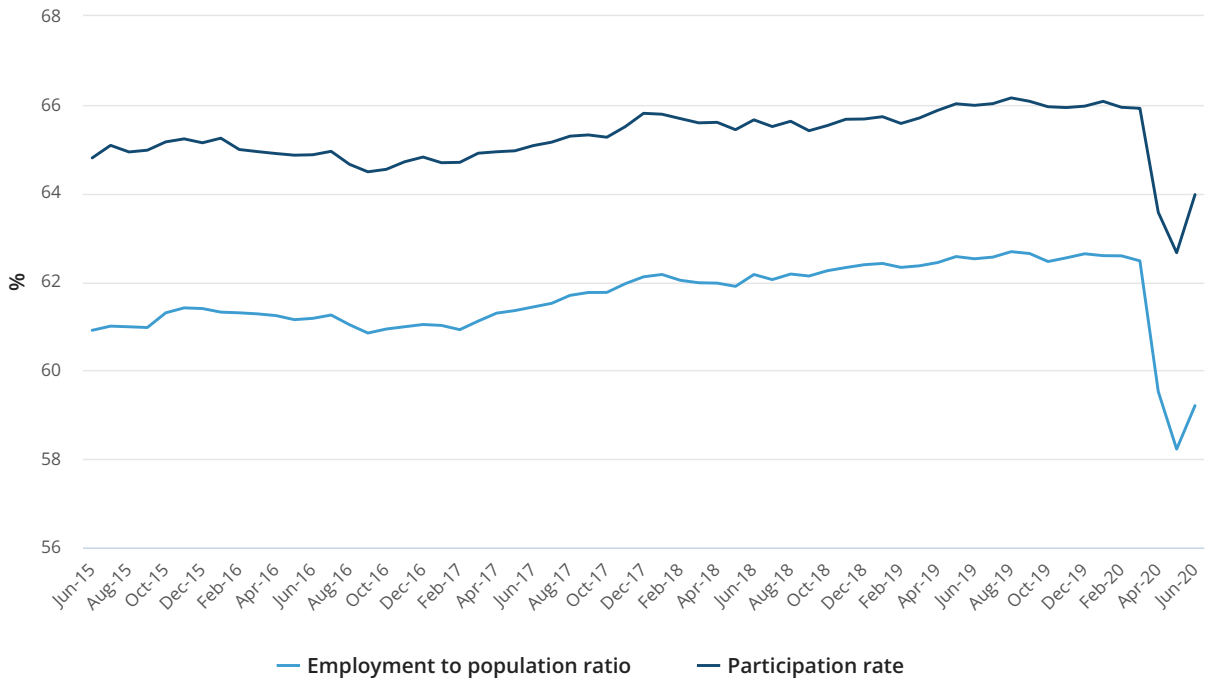


Source: Labour Force, Australia Datacube GM1

Around 30% of the people moving into employment in June were aged 15 to 24 years.

Chart 2 shows the effect of these flows into and out of employment on the employment-to-population ratio and participation rate. After falling sharply between March and May (by 4.3 pts to 58.2%), the employment-to-population ratio increased by 1.0 pts in June, recovering around a quarter of the fall since March. The participation rate saw a larger increase (up 1.3 pts) following a smaller decrease between March and May (down 3.3 pts), reflecting the large flow of people from not in the labour force to unemployment in June.

Chart 2: Employment-to-population ratio and Participation rate, Seasonally adjusted

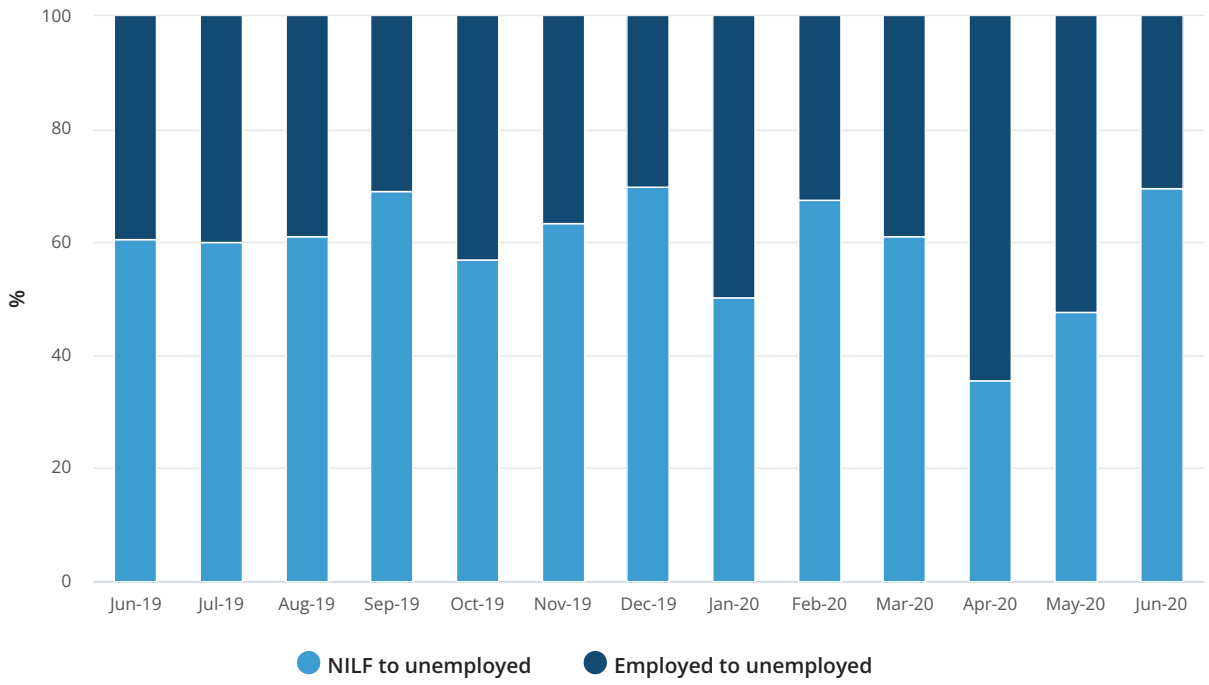


Source: Labour Force, Australia Table 1

Unemployment

Chart 3 shows the monthly movement of people from employed to unemployed and from not in the labour force to unemployed, as a proportion of all people moving into unemployment each month. In June 2020, 70% of the people moving into unemployment had not been in the labour force in May (some of whom had previously been employed, but had left the labour force in April or May). This was in contrast to April, where 65% of the people moving into unemployment had been employed in March.

Chart 3: People moving into unemployment, Original

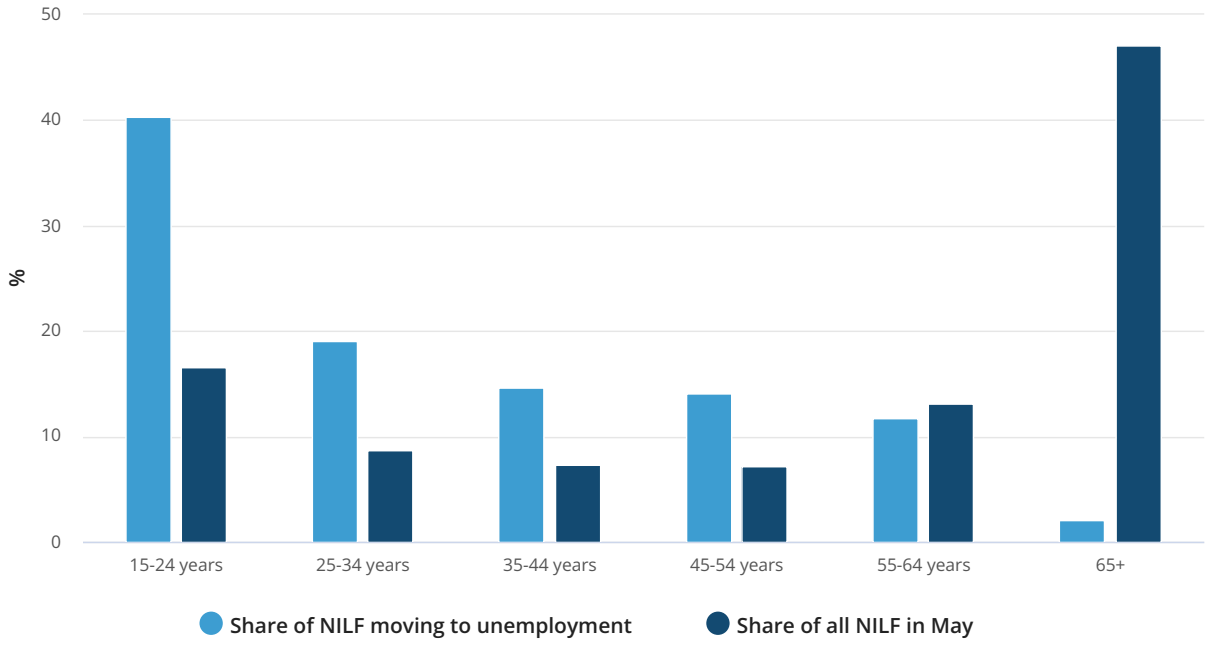


Source: Labour Force, Australia Datacube GM1

The relatively large flow of people from not in the labour force into unemployment was particularly pronounced for people aged 15-24, accounting for around 79% of newly unemployed people in that age group.

Chart 4 shows the proportion of people moving from not in the labour force to unemployment, by age. Over 40% of the people who moved from not in the labour force in May to unemployment in June were aged 15-24. In contrast, only 16% of all people not in the labour force in May were aged 15-24.

Chart 4: Share of people moving from not in the labour force to unemployment between May and June, Original

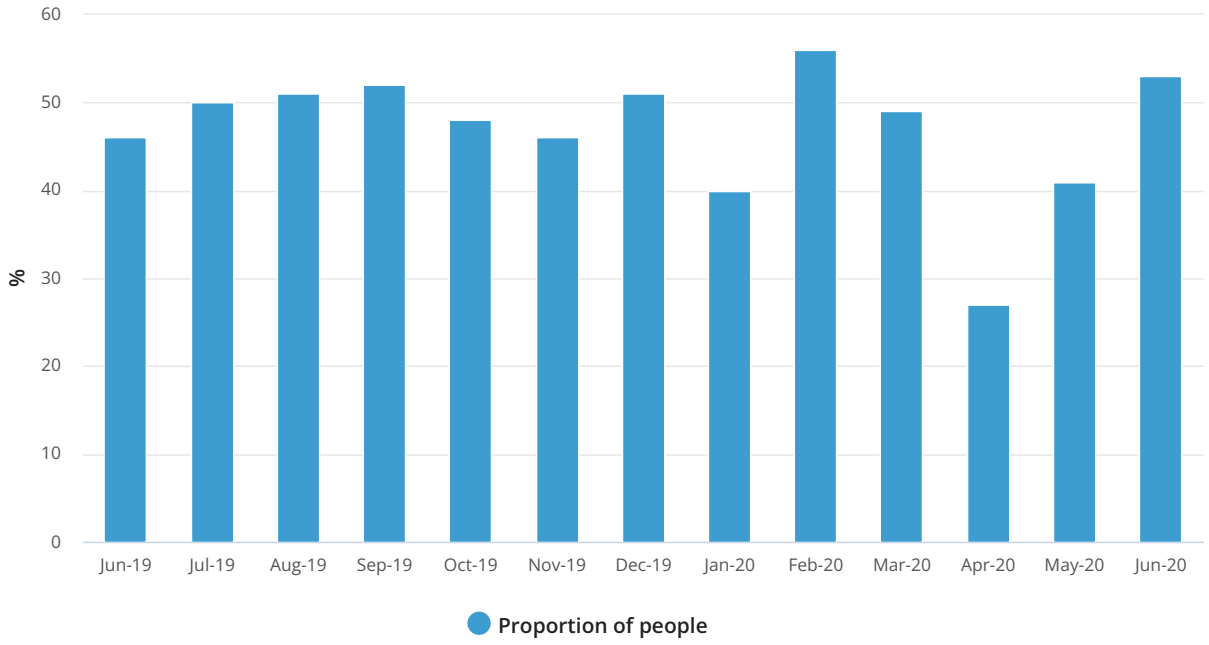


Source: Labour Force, Australia Datacube GM1

Chart 5 shows the extent of people moving out of unemployment into employment each month, as a proportion of all people moving out of unemployment. Historically, around half of people unemployed in one month are not unemployed the next month, with just under half of these people, on average, moving into employment.

In April, there was a much smaller proportion of unemployed moving into employment than usual (27%), as many people moved out of the labour force (from both unemployment and employment). In May, the proportion was higher than in April, but still only around the seasonal low that is normally seen in January. In June, the share of unemployed people moving into employment or out of the labour force had returned to historical proportions.

Chart 5: People moving out of unemployment into employment, as a proportion of all people moving out of unemployment, Original



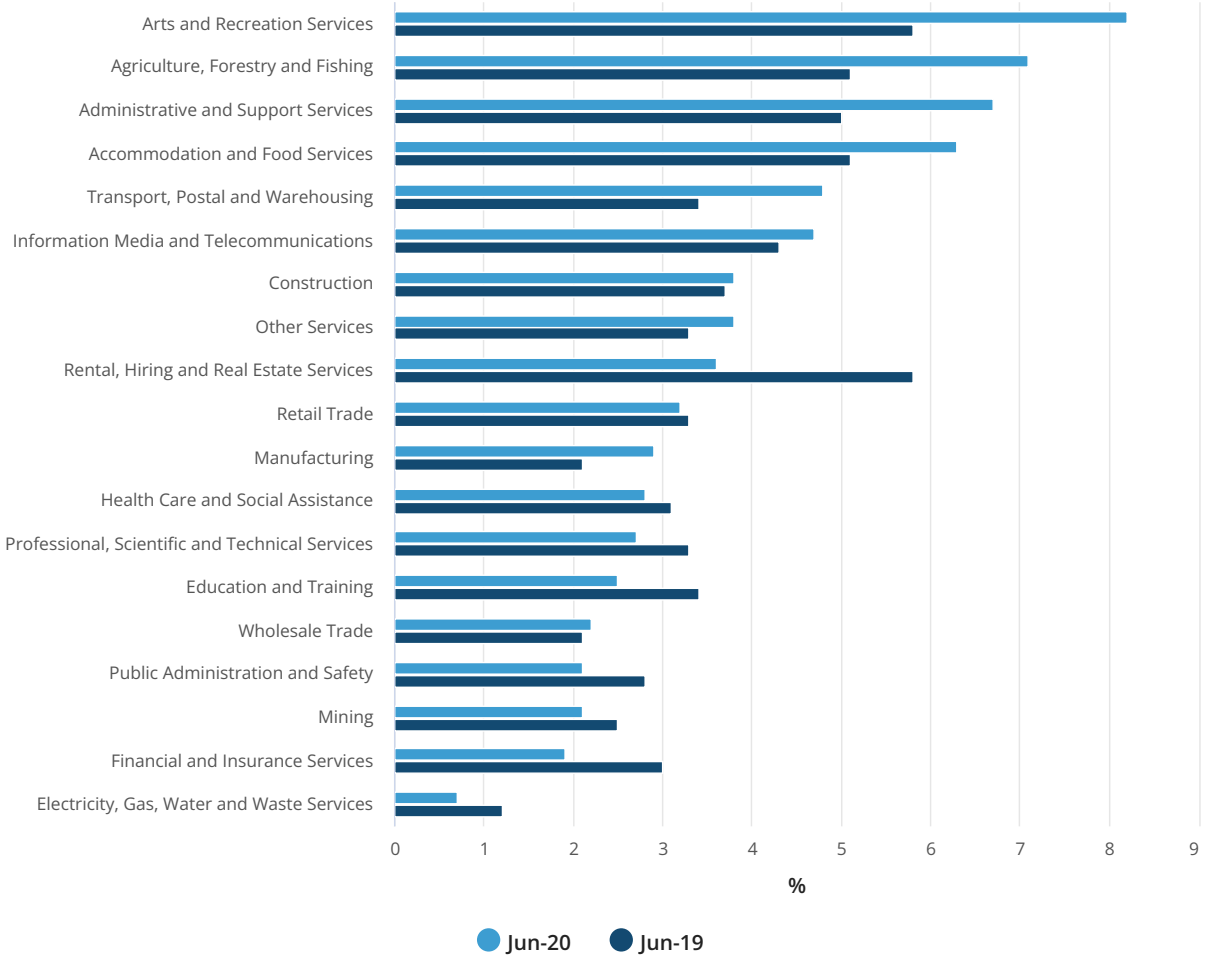
Source: Labour Force, Australia Datacube GM1

Industry and occupation

As highlighted in the article Insights into industry and occupation (https://beta.abs.gov.au/articles/insights-industry-and-occupation) in the May issue of Labour Force, Australia, Detailed there were differential impacts on industries and occupations between February and May. In particular, the Arts and Recreation services and Accommodation and Food services industries, and the Community and Personal service workers, Labourers and Sales workers occupations saw relatively high proportions of people employed in February who were not employed by May.

Chart 6 shows that between May and June, Arts and recreation services and Accommodation and food services industries again recorded relatively high movements out of employment, along with Agriculture, forestry and fishing and Administrative and support services (compared to other industries, and to the same period last year).

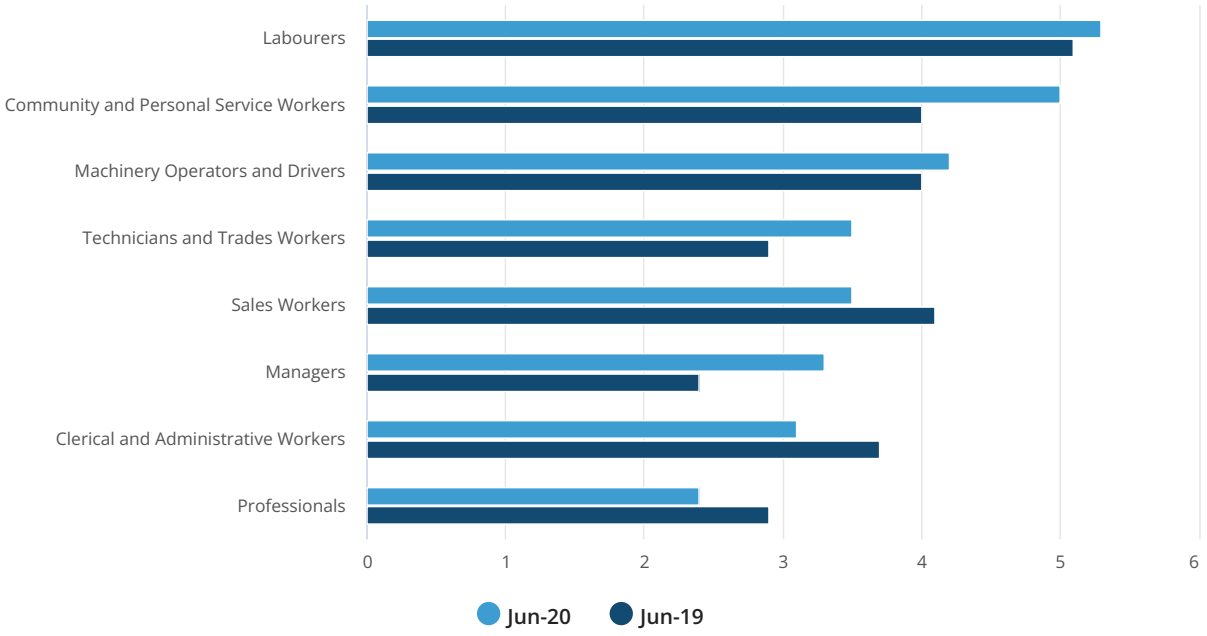
Chart 6: Proportion leaving employment between May and June, by Industry in May, Original



Source: Longitudinal Labour Force microdata

In contrast, the proportion of people leaving employment in each occupation between May and June was broadly consistent with the same period last year (Chart 7). The change between 2019 and 2020 was most pronounced for Community and Personal service workers and Managers, with the proportion leaving employment around 0.9 pts higher in these two occupations.

Chart 7: Proportion leaving employment between May and June, by



Source: Longitudinal Labour Force microdata

Further information

For further information, email labour.statistics@abs.gov.au (mailto:labour.statistics@abs.gov.au) .

Appendix: Flows in labour force status

The flows figures included in this article were derived by 'scaling up' gross flows data to account for the gross flows being based on the matched sample only (7 of the 8 rotation groups). This enables the flows presented to represent the magnitude of change relative to the published monthly estimates of employment and unemployment. This simple scaling does not take into account weighting, population changes, or the unmatched part of the common sample (see the Rotation group analysis (https://beta.abs.gov.au/statistics/labour/

employment-and-unemployment/labour-force-australia/jun-2020#data-download)).

The following diagrams compare the proportion of people moving between employment, unemployment and not in the labour force between May and June, and between April and May, based on the matched sample (See People moving into or out of employment or unemployment (https://author.absweb.aws.abs.gov.au/articles/2020/04/16/people-moving-or-out-employment-or-unemployment-every-month) in the March issue of this publication for more details, including a comparison of March and April with February and March).

This comparison highlights the increase in the proportion of people remaining employed from one month to the next, which increased from 93.8% between April and May to 96.6% between May and June.

Diagram 1: Flows in labour force status – May 2020 to June 2020

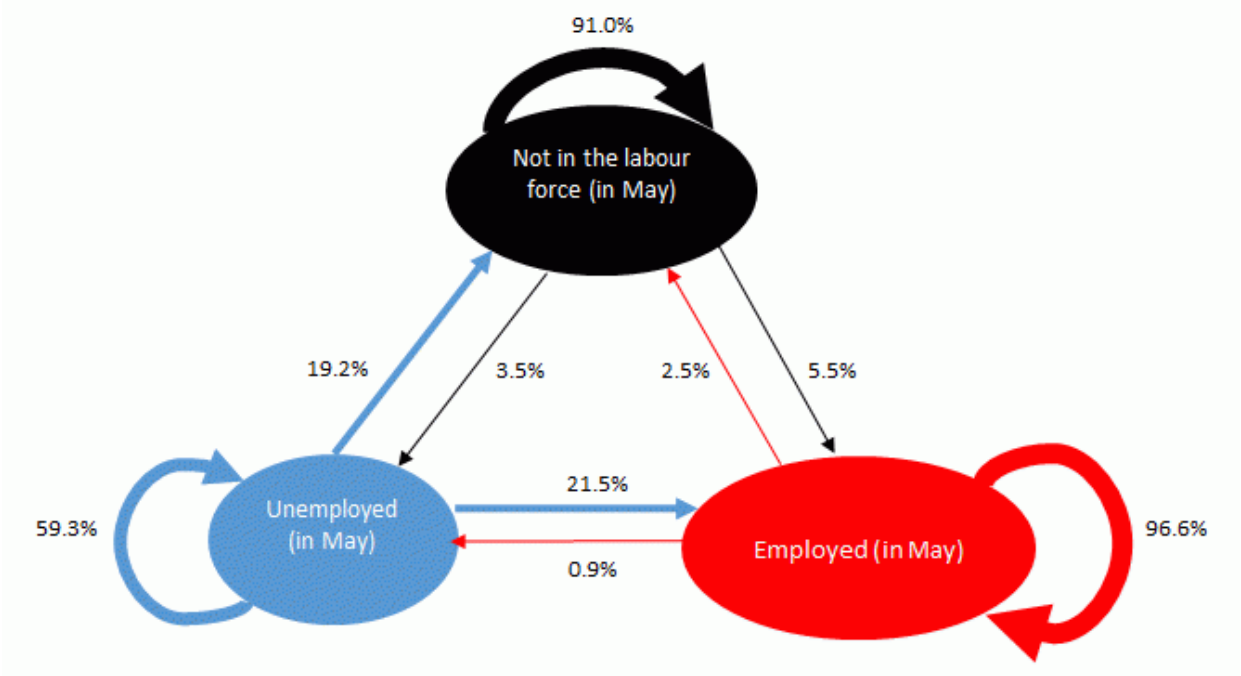
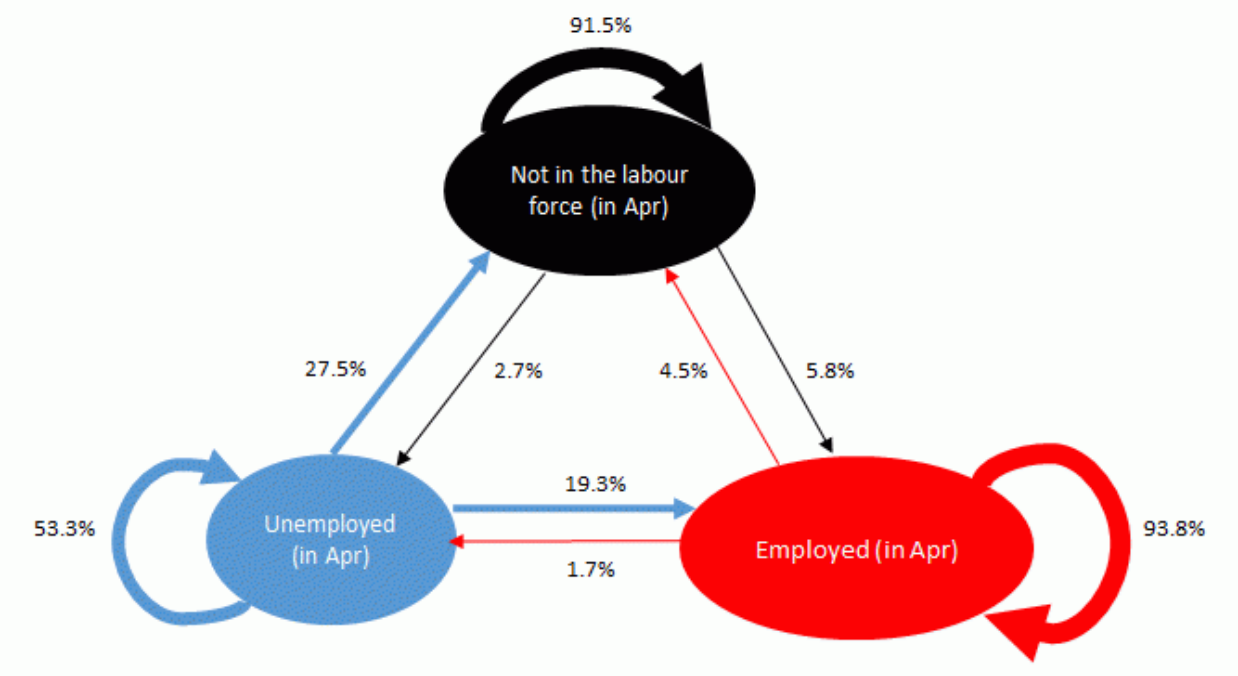


Diagram 2: Flows in labour force status – April 2020 to May 2020


91.5%
Not in the labour force (in Apr)
27.5%
2.7%
4.5%
5.8%
53.3%
Unemployed (in Apr)
19.3%
1.7%
Employed (in Apr)
93.8%